



FY 2021/22 HOME Program Applicant Orientation October 27, 2020

Housing and Community Development Division

Maurice Brundidge, Housing and Community Development Specialist



HOME INVESTMENT PARTNERSHIP PROGRAM

The primary purpose of the HOME Program is to help communities expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to housing for low income families.

HOME INVESTMENT PARTNERSHIP PROGRAM

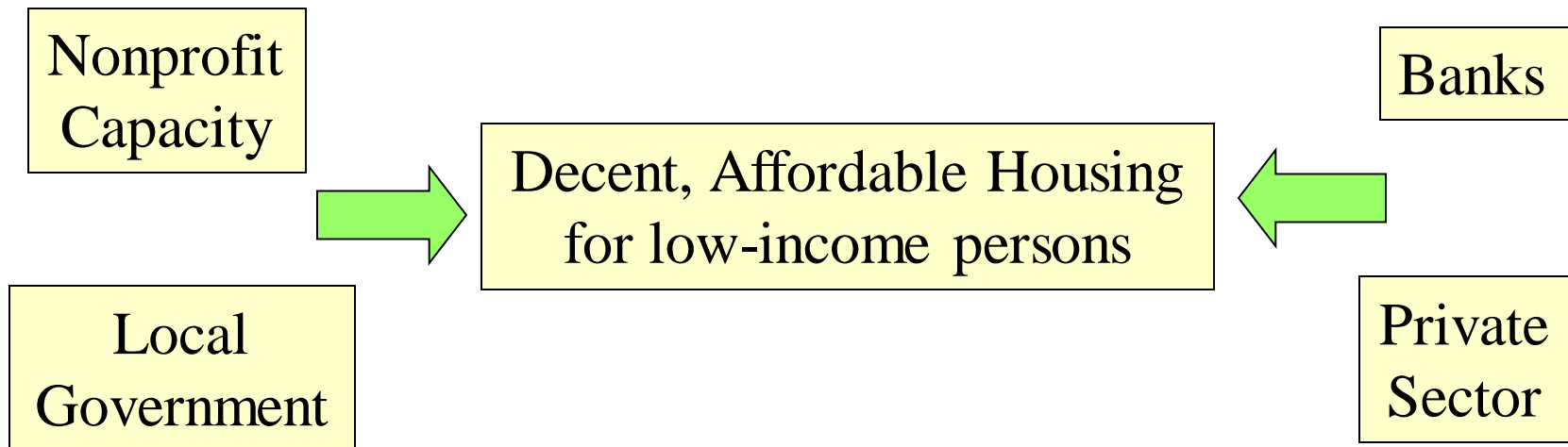
The intent of the of the HOME program is to:

- Provide decent affordable housing to lower-income households
- Expand the capacity of non-profit housing providers
- Strengthen the ability of state and local governments to provide housing
- Leverage private-sector participation

HISTORY AND GOALS

National Affordable Housing Act 1990

Objectives



APPLICATION PROCESS

Application period opened October 20, 2020

Application Deadlines:

- Non-development HOME applications - November 18, 2020, 6:00 p.m.
 - ✓ Submitted through Zoom Grants
- LIHTC Projects - December 3, 2020, 5:00 p.m.
 - ✓ Submitted in hard copy

HOME Program is open year around, but priority will be given to applications received by November 18, 2020.

FY 2021/22 ANTICIPATED FUNDING

Estimated funding based on current year's level funding

Subject to HUD Allocations

| | |
|------------------------|-------------|
| FY 2021/22 HOME Funds: | \$1,500,000 |
|------------------------|-------------|



APPLICATION PROCESS - DEVELOPMENT

The City is particularly interested in receiving applications for *rental* and *for-sale* housing development projects from individuals, non-profit, and for-profit organizations.

All applications for FY 2021-2022 HOME Development and LIHTC projects must be submitted (*both hard copy and electronic copy*) to:

**City of Mesa Housing & Community Development Division
Rachelni Marni, Housing and Community Development Coordinator
200 S. Center, Bldg. #1
Mesa, AZ 85210**

Rachelni.marni@mesaaz.gov

APPLICATION PROCESS - LIHTC

All LIHTC projects, whether seeking funding or project support from the City of Mesa must:

1. Provide the City's Housing and Community Development Division NOTICE OF INTENT TO APPLY FOR LIHTC TAX CREDITS; and
2. Complete the LIHTC project profile brief for public review/comment and submission to City Council for consideration.

APPLICATION PROCESS - LIHTC

All LIHTC projects

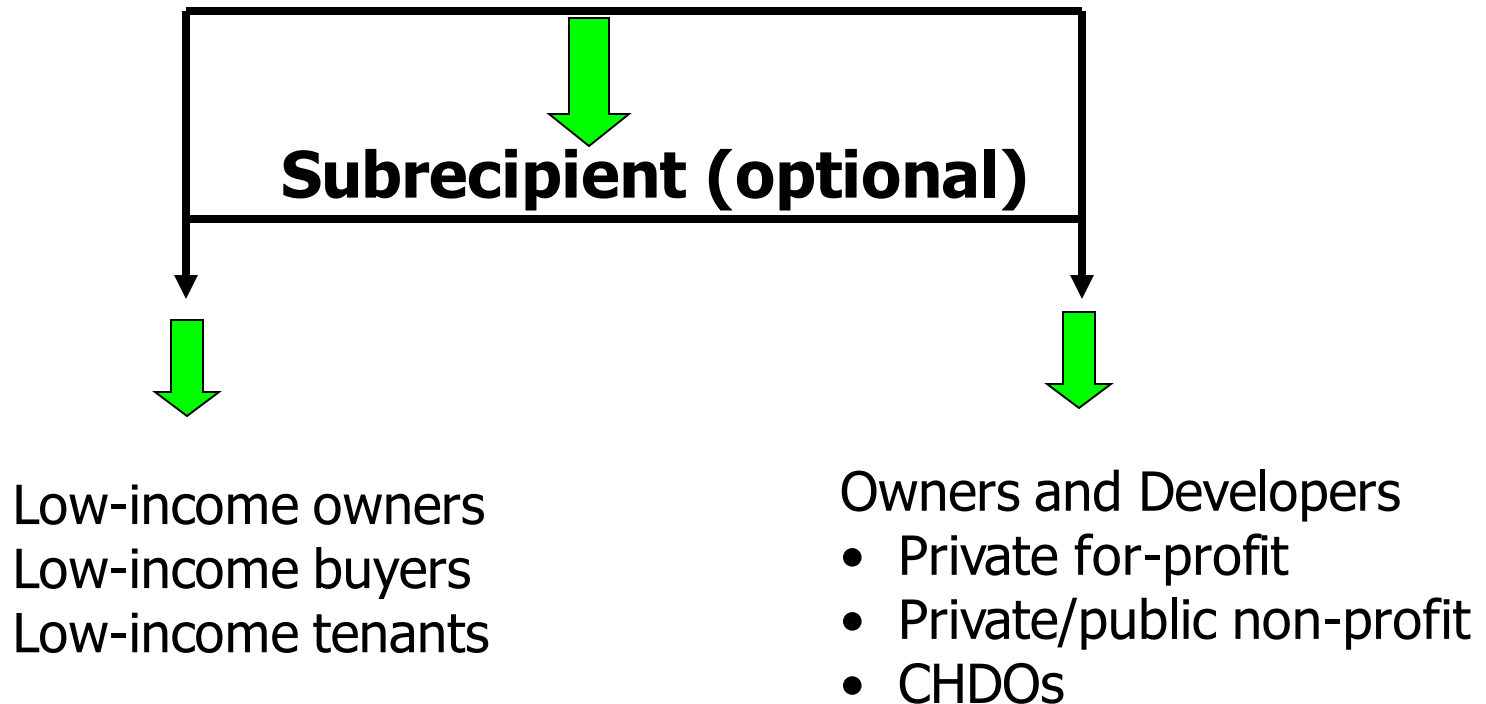
Consult and seek support from the councilperson of the district where the project will be located

Seek and obtain support from the local neighborhood group representing the neighborhood where the project will be located.

LIHTC applicants should be prepared to present their project proposals upon request.

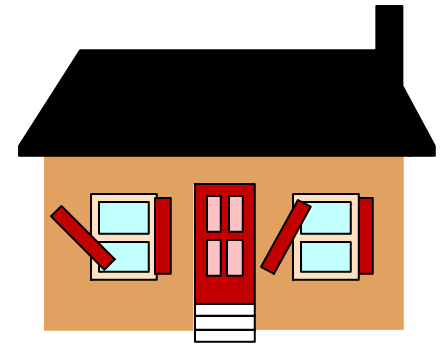
HOME PROGRAM PARTNERS

Participating Jurisdiction (“PJ”) = City of Mesa

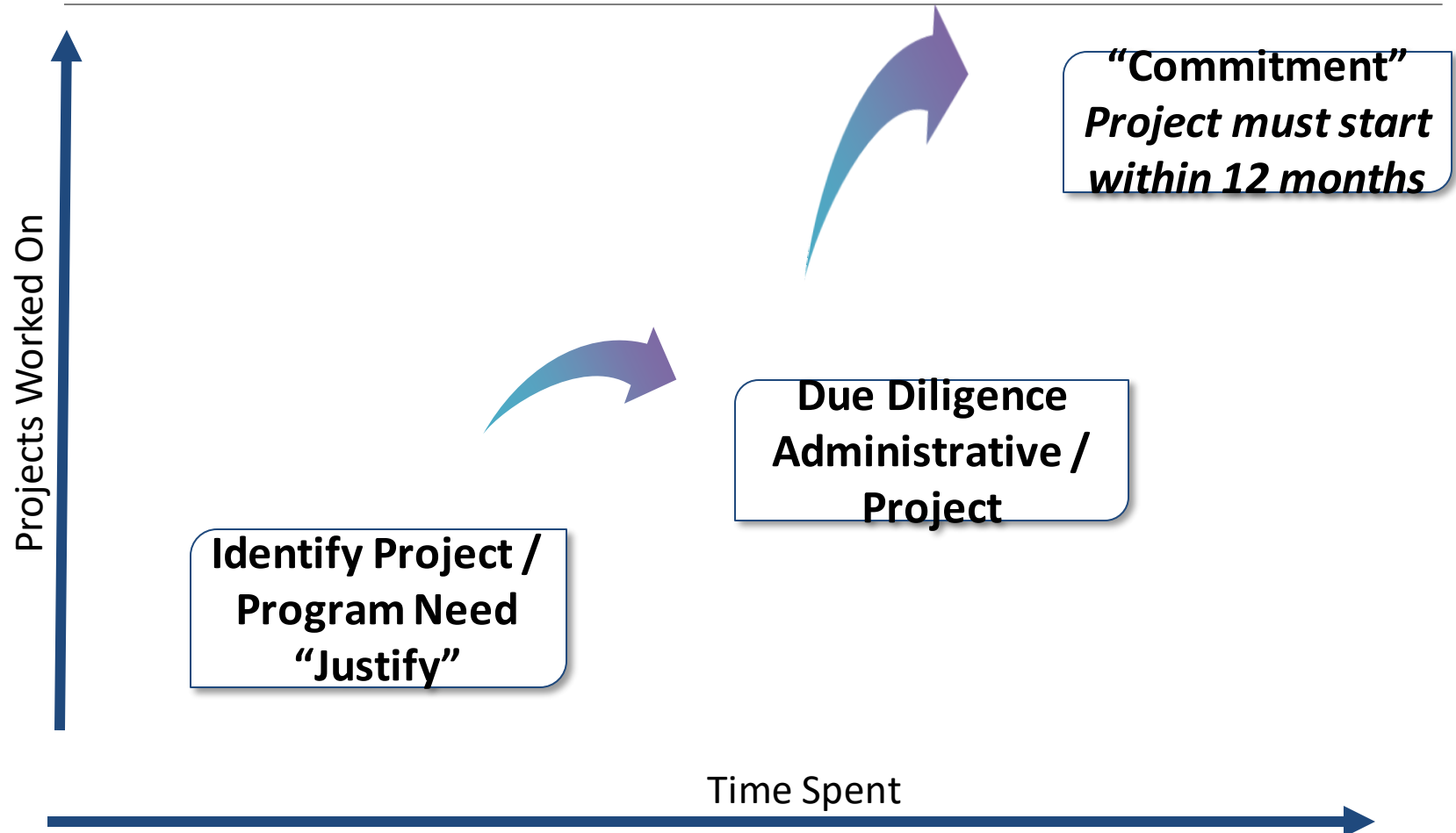


HOME PROGRAM TIMEFRAMES

- 24 Months to Commit Funds
- 12 months (*or less*) to start project “*Shovel Ready*”
- 4 yrs to complete project
- 5 yrs to expend the funds



HOME PROGRAM PROCESS





COMMITMENT OF FUNDS



- Cannot commit funds until “Shovel Ready
- Underwriting (*Industry standard variance tolerance modeling*)
- Cost Reasonableness
- Construction Costs
- Development Costs
- 15-20 Yr. Operating Projection

HOME ELIGIBLE ACTIVITIES

- New Construction
- Rehabilitation
- Reconstruction
- Site Improvements (must be site-specific)
- Acquisition of property
- Acquisition of vacant land (Construction must begin within 12 months of purchase)
- Demolition
- Down Payment Assistance

HOME ELIGIBLE ACTIVITIES

- Homeowner Rehab
- Homebuyer
- Rental Development (New Construction or Rehab)
- Rental Subsidy



FINANCIAL ASSISTANCE

Assist the developer to

- Construct or acquire & rehab housing
- Be sold to the homebuyer



ELIGIBLE PROPERTIES

Eligible property types:

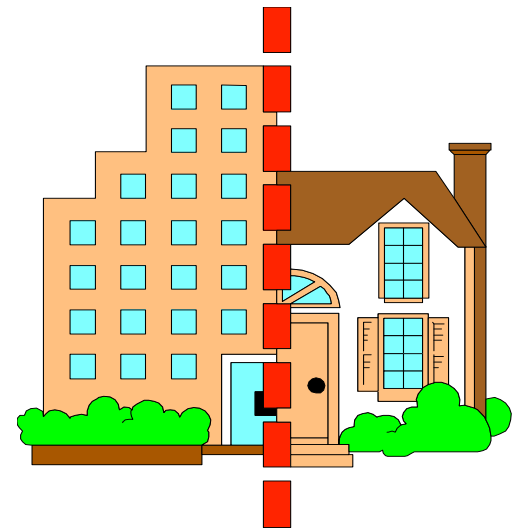
- Multifamily
- Single-family home
- Two-to-four-unit property
- Condominium unit

RENTAL HOUSING - ELIGIBLE PROPERTIES

No requirements on type or style of property

Eligible types include:

- Single family and multifamily
- Transitional and permanent housing
- SROs
- Group Homes



ELIGIBLE COSTS

- Hard costs
- Soft costs
- Acquisition costs
- Relocation costs
- Refinancing costs*



****"Only if incidental to the project & not the project itself"***

24 CFR 92.206

MATCH REQUIREMENTS

PJs must provide 25% match of HOME funds

- Match must be a permanent contribution to the HOME Program
- Based on expenditure of funds
- Measured on a Federal fiscal year basis – program match, not project

24 CFR 92.219 - 92.221; CPD NOTICE 97-03

“Let’s Talk About Match... *The Basic Facts*”

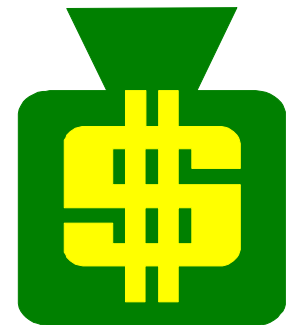
Keys to Understanding the Match Requirement

There are match credits and match debits:

- *Debits:* For virtually every dollar HOME funds drawn down for project there is 0.25 match obligation
- *Credits:* Match credits are a community’s non-federal contribution of cash, assets, services, labor and other resources of value to the HOME program

SOURCES OF MATCH

- Cash or “cash equivalents”
- Value of waived taxes, fees or charges
- Value of donated land/real property
- Cost of infrastructure improvements
- Percentage of proceeds of housing bonds



SOURCES OF MATCH

- Value of donated materials and labor
- Sweat equity
- Direct costs of supportive services to residents of HOME projects
- Direct costs of counseling to HOME-assisted households

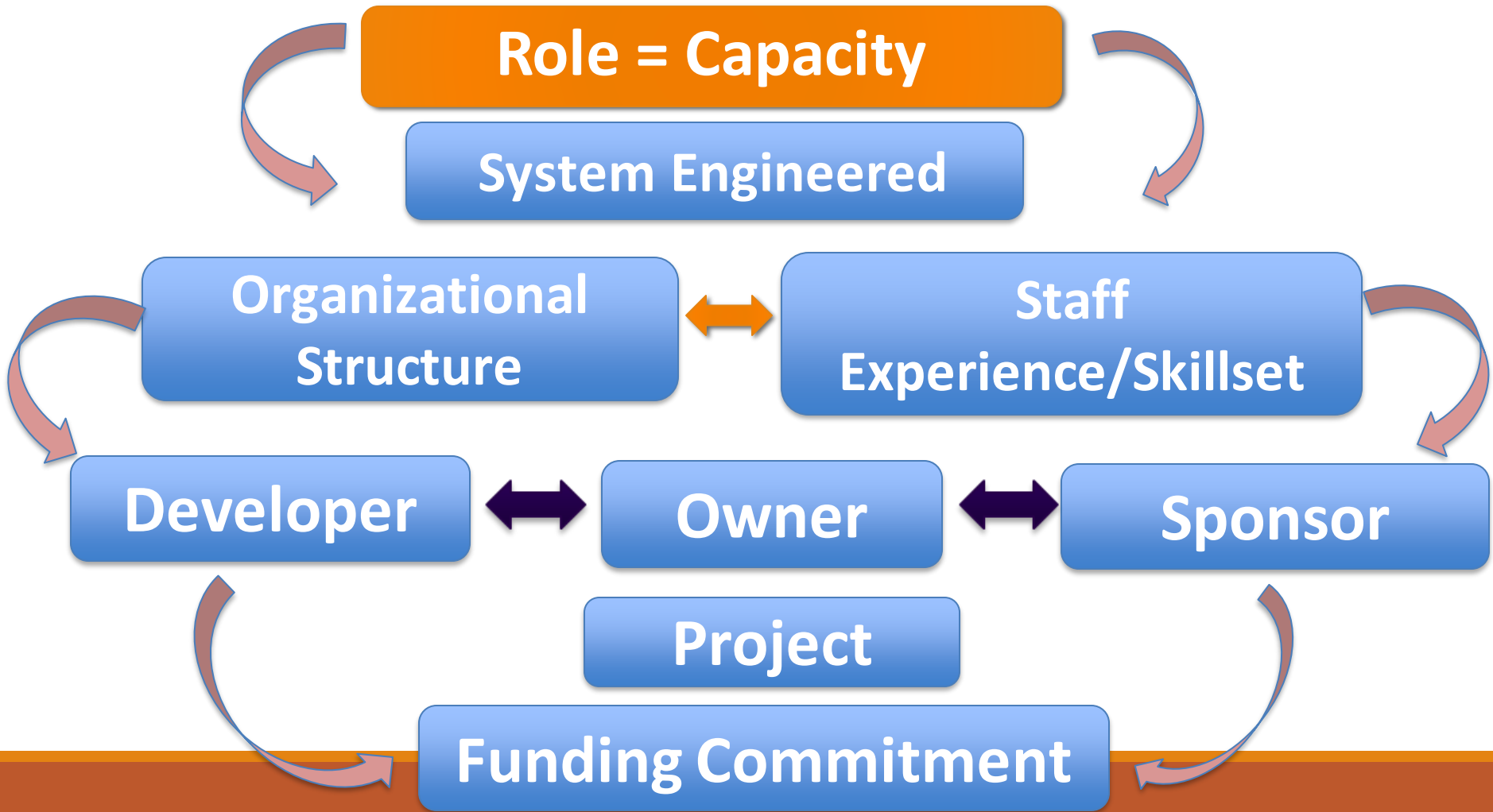


“CHDO”

Community Housing Development Organization



“CHDO”



CHDO Certification

CHDO provisions of 2013 HOME Final Rule & Key CHDO Rule Changes

- Impact on CHDO Organizations
- Systems Engineering
- Generalists or Specialists
- Organizational shifts
- Project pipeline planning
- Leveraging Resources (the new paradigm)

CHDO Certification

Each time a PJ commits funds to a specific CHDO project, it **must** certify that the nonprofit:

- Meets CHDO definition (including the staff capacity requirement)
- Has capacity to fulfill specific role (owner or developer/sponsor) it will assume for the project

CHDO Certification(cont.)

CHDO is expected to maintain CHDO status for the duration of the CHDO project

- This is in addition to the underwriting and other conditions for a project commitment

CHDO Certification

A large purple arrow pointing downwards, containing the word "Independence" in white text.

Independence

- CHDO independence from governmental & for-profit or other entities

A large teal arrow pointing downwards, containing the word "Capacity" in white text.

Capacity

- CHDO structure & staff capacity = “*Role*”

FUNDING “COMMITMENT”

Prior to committing funds to a specific local project, the PJ must have:

- An identifiable project
- Secured all necessary financing
- A budget
- A schedule
- Completed underwriting (including Subsidy Layering review)
- A reasonable expectation that construction will begin within 12 months

Prior to committing funds to a project, PJs must also meet all of the applicable subsidy layering and underwriting requirements of §92.250(b).

§92.2 Commitment

Underwriting Due Diligence

Underwriting and subsidy layering requirements

For each project, prior to committing HOME funds, PJs must: evaluate return to owner/developer (in relation to the PJ's standards for reasonable return); examine sources & uses and determine that costs are reasonable; assess neighborhood market demand for project; assess developer experience and financial capability; require firm written financial commitments.

§92.250(b)

Underwriting Due Diligence

Construction documents and cost estimates

For new construction and rehabilitation

- PJ must review and approve written cost estimates and determine costs reasonableness
- Construction contract and documents must be in sufficient detail to conduct inspections and ensure compliance with all property standards requirements
- Progress and final inspections
- For new construction and rehabilitation: progress and final inspections are required

§92.251(a)(2)(iv); §92.251(b); (2) §92.251(a)(2)(v); §92.251(b)(3)

Underwriting Due Diligence

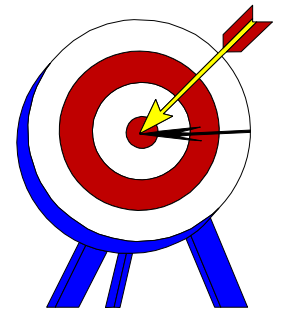
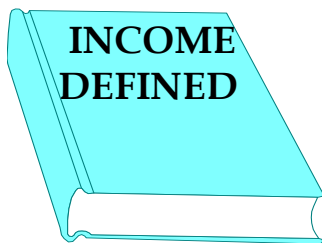
- Total Construction Cost Budget
- Total Development Cost Budget
- For-Sale Proforma
- Rental Proforma
- Sources & Uses of Funds Budget
- Long-Term Operating Proforma (*15-30yr projection with industry standard assumption modeling*)
- Subsidy Layering

Commitment of Funds

- Price Valuation & Verification (Acquisitions & Projected Sales)
- Sales Projections
- Sources & Uses of Funds in place
- Project Contracts in place
- “Match” funds in place
- Under site control
- Capacity Review

PROGRAM TARGETING

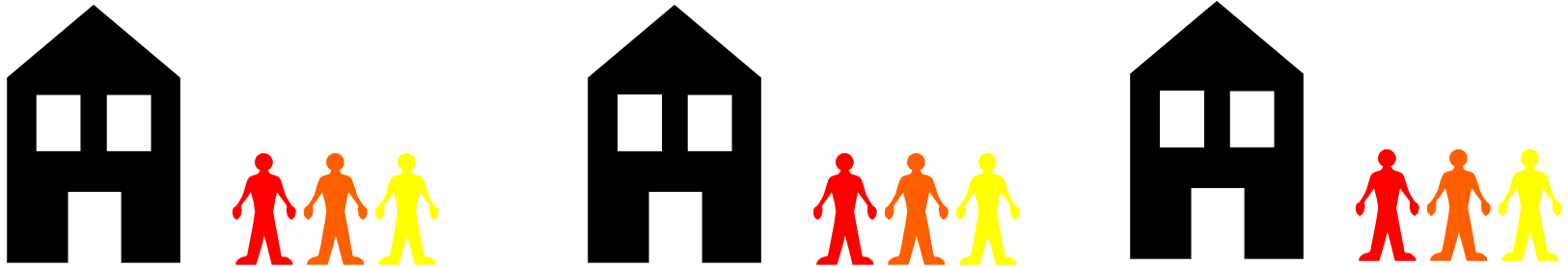
All HOME-assisted units must be occupied by households at/or below <50% Median Family Income



LONG-TERM AFFORDABILITY

| HOME Investment per Unit | Length of Affordability |
|---|------------------------------------|
| less than \$15,000 | 5 yrs |
| \$15,000 - \$40,000 | 10 yrs |
| more than \$40,000 | 15 yrs |
| new construction of rental housing | 20 yrs |
| refinancing of rental housing | 15 yrs |

LONG-TERM OCCUPANCY



For-Sale: Units not sold within 9 months of completion convert to rental...

Rental: vacated units must be rented to income-eligible households

18-month vacancy limit

SUBSIDY

Flexibility/PJ choice

- Can provide funds as:
- Interest bearing or non-interest-bearing loans or advances
- Deferred loans
- Grants
- Interest subsidies
- Equity investments
- Loan guarantees



SUBSIDY LIMITS

- Minimum HOME investment = \$1,000 per unit
- Maximum HOME subsidy amount = 234 Elevator Base Limits, which varies by PJ
- Section 234 new limits

HOME AFFORDABILITY REQUIREMENTS

- Applies to development activities
- Appropriate return on federal investment
- Amount of HOME \$ establishes time period
 - ✓ Big HOME investment = long period of time
 - ✓ Small HOME investment = shorter period
- Period of Affordability = Period of Compliance

RENTAL HOUSING - THE PROJECT RULE

Projects with 5 or more units must have at least 20% of units occupied by families at/below 50% of MFI

- Rents must be at Low HOME rent level
- Balance of units may be at/below 80% of median (but limited by overall program targeting for rental housing)

HOME RENTS

For projects with 5 or more units, there are two rent levels:

- High HOME rent (80% of units)
- Low HOME rent (20% of units)

HUD calculates and distributes HOME rents annually

PJ must disseminate maximum rents and utility allowances
annually to project owners

DETERMINING HOME-ASSISTED UNITS

Assist all or some of the units

Method : Actual Costs

Proration

- If units are comparable in terms of BR size, sq. ft. and amenities, the number of HOME-assisted units determined by:

HOME investment: total HOME-eligible project costs

OTHER REQUIREMENTS

- Labor standards [Davis-Bacon wages]
- Environmental review
- Nondiscrimination/affirmative marketing
- Relocation benefits and replacement of housing converted or demolished
- Lead-based paint

ACCESSIBILITY— APPLICABLE LAWS

- Architectural Barriers Act of 1968
- Title II of the Americans with Disabilities Act (ADA) of 1990
- Section 504 of the Rehabilitation Act of 1973
- Fair Housing Act (Title VIII of the Civil Rights Act of 1968), as amended
- Implementing regulations
 - ✓ FH Act: 24 CFR Part 100
 - ✓ Section 504: 24 CFR Part 8
 - ✓ ABA: 24 CFR Part 40

APPLICABLE CIVIL RIGHTS LAWS

Fair Housing Act (Title VIII of Civil Rights Act of 1968), as amended

Nondiscrimination in the **programs** and **activities** of recipients receiving Federal/HUD funding

- Title VI of the Civil Rights Act of 1964 – Age Discrimination Act of 1975
- Section 109 of the Housing and Community Development Act of 1974 – Section 504 of the Rehabilitation Act of 1973

INTENT OF ACCESSIBILITY LAWS

To ensure full use and enjoyment of all housing by persons with disabilities

- Prohibit discrimination against people with disabilities in housing
- Remove physical barriers in housing stock – Build new housing that is accessible
- Ensure that grantee's overall housing program is accessible to persons with disabilities

INTENT OF FAIR HOUSING ACT

To prohibit discrimination in housing on basis of race, color, religion, sex, national origin, familial status or disability

- Nondiscrimination in housing
- Equal opportunity in provision of housing services, facilities & improvements (program benefit)
- Equal opportunity in employment

APPLICABLE CIVIL RIGHTS LAWS

Section 3 of the Housing and Urban Development Act of 1968

(Economic opportunity requirements)

- Additional Requirements: – Executive Orders 11063, 12892, 12259, and 11246
- Executive Order 13166 and HUD's Final LEP Guidance – Applicable state and local laws

APPLICABLE CIVIL RIGHTS LAWS

Executive Order 11458

- Executive Orders 11625, 12432, and 12138
- Compliance with HUD Minority/Women's Businesses (MBE/WBE) Requirements
- Key to Compliance
- Verification of "Good Faith Efforts"



RESOURCE AGENCY

Agency of the U.S. Department of Commerce

- Helps to create and sustain U.S. Jobs
- Promotes growth and global competitiveness
 - ✓ Businesses owned and operated by minority entrepreneurs

Phoenix Minority Business Development Agency Business Center
255 East Osborn Road, Suite 202
Phoenix, Arizona 85012-2358
O 602-248-0007, Ext. 216 | F 602-279-8900 | C 480-343-2799
www.phoenixmbdacenter.com





CITY OF MESA HOME PROGRAM CONTACTS

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ANY
QUESTIONS
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That's the very basics!